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Reference Number:	2008-5-1
Federal Catalog Number:	93.044
Federal Program Title:	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers
Federal Award Numbers and Years:	08AACAT3SP; 2008 07AACAT3SP; 2007
Category of Finding:	Eligibility
State Administering Department:	Department of Aging (Aging)

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Federal Catalog Number:	93.045
Federal Program Title:	Special Programs for the Aging—Title III, Part C—Nutrition Services
Federal Award Numbers and Years:	08AACAT3SP; 2008 07AACAT3SP; 2007

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Federal Catalog Number:	93.053
Federal Program Title:	Nutrition Services Incentive Program
Federal Award Numbers and Years:	08AACANSIP; 2008 07AACANSIP; 2007

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### Criteria

TITLE 42—THE PUBLIC HEALTH AND WELFARE, CHAPTER 35—PROGRAMS FOR OLDER AMERICANS, SUBCHAPTER III—Grants for State and Community Programs on Aging, Section 3027—State Plans

(a)(1) The plan shall—

- (A) require each area agency on aging designated under section 3025(a)(2)(A) of this title to develop and submit to the State agency for approval, in accordance with a uniform format developed by the State agency, an area plan meeting the requirements of section 3026 of this title.

TITLE 42—THE PUBLIC HEALTH AND WELFARE, CHAPTER 35—PROGRAMS FOR OLDER AMERICANS, SUBCHAPTER III—Grants for State and Community Programs on Aging, Section 3025—Designation of State Agencies

(a)(2) the State agency shall—

- (C) in consultation with area agencies, in accordance with guidelines issued by the Assistant Secretary, and using the best available data, develop and publish for review and comment a formula for distribution within the State of funds received under this subchapter that takes into account—
  - (i) the geographical distribution of older individuals in the State; and

- (ii) the distribution among planning and service areas of older individuals with greatest economic need and older individuals with greatest social need, with particular attention to low-income minority older individuals.
- (D) submit its formula developed under subparagraph (C) to the Assistant Secretary for approval.

### Condition

The U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (A-133 Compliance Supplement) issued in March 2008 suggests auditors perform procedures to verify amounts awarded to subrecipients were within funding limits. Our review found that Aging did not always maintain supporting documentation for certain amounts used in its calculation of awards to its subgrantees. Specifically, federal law allows Aging to use a portion of its grant to conduct an effective ombudsman program. In calculating its fiscal year 2007–08 allocation, Aging deducted \$889,000 from its federal fiscal year 2007 grant for the ombudsman program but could not provide supporting documentation for this amount. Additionally, federal law requires that Aging place special emphasis on older individuals with the greatest economic or social need, with particular attention to low-income minority older individuals. According to the intrastate funding formula found in its state plan, Aging takes this into account by defining older as age 60 and above and by assigning weights to factors such as income levels, minority status, and geographical areas. However, Aging could not provide the census and low income data it used to calculate the weighted factor for each of its subgrantees. Thus, we were unable to determine whether Aging’s awards to its subgrantees were within the funding limits outlined in its state plan. According to a program analyst, the employee who prepared the 2007–08 allocation no longer works for Aging, and the program analyst was unable to locate any of the supporting documentation. The program analyst also stated that he has taken steps to ensure that supporting documentation exists for the 2008–09 allocation.

### Questioned Costs

Not applicable.

### Recommendations

To the extent possible, Aging should recreate its fiscal year 2007–08 allocation to subgrantees and retain all documentation pertaining to the calculation as evidence of its compliance with the eligibility requirements. If differences exist between the original calculation and the revised calculation, Aging should adjust these amounts on its next annual allocation. Aging should also ensure that for future allocations it documents the methodology used and retains all supporting documentation.

### Department’s View and Corrective Action Plan

#### ***Ombudsman’s \$889,000 State Operations:***

The Older Americans Act provides that the State Unit on Aging may determine the amount of the federal grant it uses to support the Office of the State Long Term Care Ombudsman (OSLTCO). The amount budgeted and deducted in fiscal year 2007–08 represents a historical baseline of support. Aging is in the process of documenting the methodology used to determine the federal portion. Staff will also prepare procedures that identify what supporting documentation must be retained in the file in order to ensure that federal requirements have been met.

#### ***Demographics Supporting The 2007–08 Allocations:***

Aging appreciates the issues raised by the Bureau of State Audits (BSA). As recommended, staff will prepare procedures that cover the processes of both the data and budget teams in order to ensure that the methodology is consistent with federal requirements, processes are clearly documented, and new staff coming in is aware they must retain the appropriate supporting documentation in clearly marked files.

Subsequent to the BSA's exit, Aging's budget staff identified supporting demographic data for the fiscal year 2007–08 allocations, which will be provided upon request.

Aging's data team is in the process of validating the demographic data they prepared and provided to the budget staff when the fiscal year 2007–08 allocations were originally made. Aging does not anticipate a need to recreate or revise the allocation as suggested in the BSA's recommendations. If the data cannot be validated for any reason, Aging will re-

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Reference Number:	2008-7-3
Category of Finding:	Matching, Level of Effort, Earmarking
State Administering Department:	Department of Aging (Aging)
Federal Catalog Number:	93.044
Federal Program Title:	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers
Federal Award Numbers and Years:	08AACAT3SP; 2008 07AACAT3SP; 2007 06AACAT3SP; 2006

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Federal Catalog Number:	93.045
Federal Program Title:	Special Programs for the Aging—Title III, Part C—Nutrition Services
Federal Award Numbers and Years:	08AACAT3SP; 2008 07AACAT3SP; 2007 06AACAT3SP; 2006

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Federal Catalog Number:	93.053
Federal Program Title:	Nutrition Services Incentive Program
Federal Award Numbers and Years:	08AACANSIP; 2008 07AACANSIP; 2007 06AACANSIP; 2006

### Criteria

Title 45—PUBLIC WELFARE, PART 92—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL, AND TRIBAL GOVERNMENTS, Subpart C—Post-Award Requirements, Section 92.20—Standards for Financial Management Systems

- (a) A state must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
  - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
  - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

TITLE 45—PUBLIC WELFARE, PART 1321—GRANTS TO STATE AND COMMUNITY PROGRAMS ON AGING, Subpart B—State Agency Responsibilities, Section 1321.49—State Agency Maintenance of Effort

In order to avoid a penalty, each fiscal year the State agency, to meet the required non-federal share applicable to its allotments under this part, shall spend under the State plan for both services and administration at least the average amount of State funds it spent under the plan for the three previous fiscal years. If the State agency spends less than this amount, the Commissioner reduces the State's allotments for supportive and nutrition services under this part by a percentage equal to the percentage by which the State reduced its expenditures.

### Condition

Aging lacks adequate policies and procedures to provide reasonable assurance that matching, level of effort, and earmarking requirements are met for the programs it administers using only allowable funds or costs that are properly calculated and valued. Specifically, Aging does not have an official written policy that outlines factors such as its methods of valuing matching requirements and the allowable costs that may be claimed. Further, Aging's accounting section does not have written policies and procedures that include the review and approval of its calculations and the amounts it reports to the federal government. According to its fiscal branch manager, in response to our prior-year finding, Aging is still in the process of compiling official written policies and procedure manuals that document the underlying policies and steps taken by its budget, accounting, and program staff to ensure compliance with the requirements. He also stated that Aging is working toward providing training to its accounting

staff and establishing a monthly review process. However, until Aging completes the tasks outlined by its fiscal branch manager, the absence of controls will continue to hinder Aging's ability to prevent errors or detect early any errors that may exist.

In fact, we determined that the Certification of the Maintenance of Effort filed for federal fiscal year 2007 relies on a spreadsheet that includes various calculations to arrive at the state expenditures. However, we found that the formulas in the spreadsheet contain numerous errors and that some of the amounts are not supported by the accounting records. Therefore, we are unable to determine if Aging is in compliance with the level-of-effort requirements. Additionally, the certification was filed about one week after the due date established by the U.S. Department of Health and Human Services.

### **Questioned Costs**

Not applicable.

### **Recommendations**

Aging should establish policies and procedures to ensure that it complies with the matching, level of effort, and earmarking requirements of the programs it administers. Aging should also follow through on its plans to provide training to its accounting staff and to establish a monthly review process. Finally, Aging should revise the calculation spreadsheet it used for the federal fiscal year 2007 certification of the maintenance of effort to ensure that it contains accurate formulas and amounts, and resubmit the certification if necessary to the U.S. Department of Health and Human Services.

### **Department's View and Corrective Action Plan**

Aging will complete the accounting procedures already started and provide its accounting staff with training on its fiscal team's budgeting, payment, and monitoring processes so that the accounting staff understand how their procedures and the program's procedures overlap to ensure that matching requirements are met and costs are allowable. Furthermore, to ensure the accuracy of future submissions, Aging will include in these procedures additional levels of review to detect and prevent errors.

Aging will correct the errors in the formulas and regenerate the maintenance of effort (MOE) calculations. The MOE is a process where Aging reports that its expenditures supporting a grant equal or exceed the average amount of state funds it spent in the three previous fiscal years. Once corrected, Aging will conduct an analysis to determine the impact to the three-year average requirement and if a corrected MOE certification needs to be submitted. Aging has already notified the U.S. Department of Health and Human Services' Administration on Aging that it is in the process of reviewing and possibly resubmitting the MOE.

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Reference Number:	2008-12-2
Category of Finding:	Reporting
State Administering Department:	Department of Aging (Aging)
Federal Catalog Number:	93.044
Federal Program Title:	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers
Federal Award Numbers and Years:	08AACAT3SP; 2008 07AACAT3SP; 2007 06AACAT3SP; 2006

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Federal Catalog Number:	93.045
Federal Program Title:	Special Programs for the Aging—Title III, Part C—Nutrition Services
Federal Award Numbers and Years:	08AACAT3SP; 2008 07AACAT3SP; 2007 06AACAT3SP; 2006

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Federal Catalog Number:	93.053
Federal Program Title:	Nutrition Services Incentive Program
Federal Award Numbers and Years:	08AACANSIP; 2008 07AACANSIP; 2007 06AACANSIP; 2006

### Criteria

TITLE 45—PUBLIC WELFARE, PART 92—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL, AND TRIBAL GOVERNMENTS, Subpart C—Post-Award Requirements, Section 92.20—Standards for Financial Management Systems

- (b) A state must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
  - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
  - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

TITLE 45—PUBLIC WELFARE, PART 92—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL, AND TRIBAL GOVERNMENTS, Subpart C—Post-Award Requirements, Section 92.41(a)(3)—Financial Reporting

- (a) General. (1) Except as provided in paragraphs (a) (2) and (5) of this section, grantees will use only the forms specified in paragraphs (a) through (e) of this section, and such supplementary or other forms as may from time to time be authorized by OMB, for:
  - (i) Submitting financial reports to Federal agencies, or
  - (ii) Requesting advances or reimbursements when letters of credit are not used.
- (b) Financial Status Report—(1) Form. Grantees will use Standard Form 269 or 269A, Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with Section 92.41(e)(2)(iii).
- (c) Federal Cash Transactions Report—(1) Form. (i) For grants paid by letter or credit, Treasury check advances or electronic transfer of funds, the grantee will submit the Standard Form 272, Federal Cash Transactions Report, and when necessary, its continuation sheet, Standard Form 272a, unless the terms of the award exempt the grantee from this requirement.

### Condition

Aging lacked adequate policies and procedures to provide reasonable assurance that the Financial Status Report and Administration on Aging Supplemental Form (SF-269) and the Federal Cash Transaction Report (PSC-272) it submitted to the federal government include all activities, are supported by accounting records, and are fairly presented. Specifically, during fiscal year 2007–08, Aging did not have an official written policy that established responsibility for reporting, provided the procedures for periodic monitoring of due dates, and verified the report content. For example, the instructions Aging provided for the SF-269 report focused primarily on how staff should query the data. Thus, Aging was unable to prevent errors in its reports. Specifically, Aging submitted several reports that were not adequately supported by the accounting records used by its accounting specialist to prepare the reports.



Our review of the SF-269 reports as of March 31, 2008, for each of the three programs listed found that the amounts reported by Aging are inaccurate and do not trace to accounting records. Specifically, Aging failed to identify several errors in the underlying documentation used by the accounting specialist to prepare the reports. For example, Aging reported the federal share of net outlays for federal fiscal year 2008 Title III, Part C-1, as \$16 million. However, according to its accounting records, this amount should have been roughly \$4.1 million—representing a reporting error of almost \$12 million. Further, Aging's SF-269 report for the 2007 grant is incorrect because the accounting specialist unintentionally submitted the amounts that had already been reported for the previous reporting period. Finally, Aging submitted each of the three SF-269 reports several months beyond the required due date.

Additionally, in reviewing two of the four PSC-272 reports that Aging submitted to the U.S. Department of Health and Human Services during fiscal year 2007–08, we noted several errors in the disbursement amounts for the Title III, Part B and Part C programs. For example, in the PSC-272 report for the federal fiscal quarter ending March 2008, Aging reported disbursements for the Title III, Part B program of roughly \$14.5 million; however, the underlying documentation reflected a total disbursement amount of about \$15 million—representing a reporting error of more than \$500,000. Similarly, in the SF-269 report for the federal fiscal quarter ending June 2008, Aging reported an amount of about \$20.9 million in disbursements for the Title III, Part B program; however, the underlying documentation reflected roughly \$21.9 million—a difference of nearly \$1 million. Moreover, Aging reported about \$13 million and \$12.5 million in disbursements for the Title III, Part C-1 and Part C-2 programs, respectively; however, these amounts also did not trace to the underlying documentation and were understated by roughly \$100,000 and \$20,000, respectively. Finally, although the underlying documentation for the SF-269 report for the federal fiscal quarter ending March 2008 included cash on hand of roughly \$68,000, Aging did not report this amount.

In November 2008 Aging developed procedures for the reports that establish supervisory review and specify the respective due dates. If followed, these procedures should allow for the prevention and/or early detection of any errors in future reports it submits to the federal government. Additionally, Aging stated that it has experienced significant staff turnover and is in the process of training new staff on its recently developed procedures. Until Aging fully implements its new procedures and trains its staff, it will continue to run the risk of noncompliance with the federal reporting requirements.

### **Questioned Costs**

Not applicable.

### **Recommendations**

Aging should establish policies and procedures to ensure that its SF-269 and PSC-272 reports include all activities, are supported by accounting records, and are fairly presented. These policies and procedures should provide for management review and approval, as well as a system to track due dates of the reports.

Aging should review, revise, and resubmit the SF-269 and PSC-272 reports it submitted to the U.S. Department of Health and Human Services during fiscal year 2008 to ensure it submits accurate and complete information.

### **Department's View and Corrective Action Plan**

Aging appreciates the Bureau of State Audits' recommendations and is establishing policies and procedures that will include the verification of content and accounting record support, management review and approval, and a system to track due dates for the SF-269 and PSC-272 reports. Aging will be working with the U.S. Health and Human Services' Administration on Aging (AoA) in developing these procedures to ensure that its methodology is consistent with AoA's process and expectations.

Aging has notified AoA that it is in the process of reviewing, correcting and resubmitting any reports from 2008 that are inaccurate. Aging is also documenting best practices and procedures in order to consistently and accurately complete these forms regardless of staff turnover.

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Reference Number:	2008-13-2
Category of Finding:	Subrecipient Monitoring
State Administering Department:	Department of Aging (Aging)

Federal Catalog Number:	93.044
Federal Program Title:	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers
Federal Award Numbers and Years:	08AACAT3SP; 2008 07AACAT3SP; 2007

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Federal Catalog Number:	93.045
Federal Program Title:	Special Programs for the Aging—Title III, Part C—Nutrition Services
Federal Award Numbers and Years:	08AACAT3SP; 2008 07AACAT3SP; 2007

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Federal Catalog Number:	93.053
Federal Program Title:	Nutrition Services Incentive Program
Federal Award Numbers and Years:	08AACANSIP; 2008 07AACANSIP; 2007

### Criteria

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133, *AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS* (OMB CIRCULAR A-133), Subpart D—Federal Agencies and Pass-Through Entities, Section .400—Responsibilities

- (d) Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:
- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
  - (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

TITLE 45—PUBLIC WELFARE, PART 92—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL, AND TRIBAL GOVERNMENTS, Subpart C—Post-Award Requirements, Section 92.21—Payment

- (c) Advances. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

TITLE 45—PUBLIC WELFARE, PART 92—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE, LOCAL, AND TRIBAL GOVERNMENTS, Subpart C—Post-Award Requirements, Section 92.40—Monitoring and Reporting Program Performance

- (a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operating conditions of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

## Condition

### ***Award Identification***

Aging lacks internal controls to ensure it identifies the federal agency name to its subgrantees at the time of the award. Specifically, Aging's contract review and approval process does not ensure that its staff include specific references to the name of the federal agency—the U.S. Department of Health and Human Services—on the standard agreements it sends annually to each of its subgrantees.

### ***During-the-Award Monitoring***

Although Aging has a process in place for monitoring subgrantees' use of funds, which includes site visits by its fiscal and contracts team (team), it lacks adequate procedures that require staff to document the specific procedures they performed or the documents they reviewed to support their conclusions. While on-site, the team uses Aging's fiscal review tool that is designed to guide their assessment of subgrantees' compliance with various federal requirements outlined in U.S. Office of Management and Budget (OMB) Circular A-102, *Grants and Cooperative Agreements with States and Local Governments*, which is codified at Title 45, Code of Federal Regulations, Part 92, including those pertaining to allowable costs, cash management, and program income. However, in reviewing the files related to three of the eight site visits conducted by the team during fiscal year 2007–08, we were unable to identify the procedures performed or arrive at the same conclusions as Aging's staff due to the lack of sufficient documentation. For example, we could not determine whether the team had verified subgrantees' compliance with established cash management procedures to minimize the time elapsing between drawdown and disbursement of program funds. Additionally, we could not conclude whether Aging verified that subgrantees used program income, rebates, refunds, and other income and receipts before requesting additional federal funds.

Furthermore, the lack of adequate procedures results in inconsistencies. For instance, two of the three files we reviewed contained adequate supporting documentation for the requirement related to allowable costs; however, the third file only contained the fiscal review tool and did not include any supporting documentation related to this requirement. Thus, we could not identify the procedures performed or records reviewed by Aging's team to conclude the subgrantee complied with this requirement. According to the team coach, Aging requires only the completion of the fiscal review tool and does not require staff to retain further supporting documentation to demonstrate their conclusions are drawn from adequate sources. She also stated that she has confidence in the professional judgment of the team and is present during the on-site review. However, we noted that for its program reviews, Aging does require its staff to retain copies of all documents they obtain from the subgrantee as part of its official records. Aging should also extend this requirement to its fiscal reviews because without adequate documentation to support conclusions reached during these reviews, Aging cannot demonstrate that it effectively monitors its subgrantees and ensures that they are using program funds in accordance with applicable federal requirements.

### **Questioned Costs**

Not applicable.

### **Recommendations**

Aging should identify the federal agency in its annual standard agreements that it enters into with each of its subgrantees. Furthermore, it should revise its subgrantee monitoring procedures to require its fiscal and contracts review team to identify the specific procedures they perform and to retain copies of all documents they obtain from the subgrantee as part of its official records.

## Department's View and Corrective Action Plan

### ***Award Notification:***

Aging stated that it has added the federal agency name to its subgrantee contracts for fiscal 2009–10. In addition, Aging stated that it complies with OMB Circular A-133, Subpart B, requiring identification of federal awards made, Catalog of Federal Domestic Assistance title and number, award name and number, award year, and name of federal agency by providing its subgrantees, area agencies on aging (AAAs) with a copy of its *Single Audit Guide*. The guide provides the required information, including the name of the federal agency, and also informs the AAAs of their own obligation to meet the requirement with their subrecipients.

### ***During-the-Award-Monitoring:***

Aging stated that its fiscal and contracts team will develop written procedures documenting the fiscal monitoring process. The procedures will include a requirement to identify specific procedures performed during on-site fiscal monitoring and to retain copies of all documents obtained from the subgrantee as part of the official monitoring file.

### **Auditor's Comments on Department's View**

Aging's statement that it complies with OMB Circular A-133, Subpart B, which requires the identification of federal awards made by informing each subgrantee of the name of the federal agency is questionable. Specifically, although its deputy director stated that Aging informs each of its subgrantees of the name of the federal agency in its *Single Audit Guide*, she was unable to provide us with a written policy requiring its auditors to provide the guide to the subgrantees. Thus, it is unclear if the subgrantees actually received the guide.

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Reference Number:	2008-14-1
Federal Catalog Number:	93.053
Federal Program Title:	Nutrition Services Incentive Program (NSIP)
Federal Award Number and Year:	08AACANSIP; 2008
Category of Finding:	Special Tests and Provisions
State Administering Department:	Department of Aging (Aging)

**Criteria**

TITLE 42—THE PUBLIC HEALTH AND WELFARE, CHAPTER 35—PROGRAMS FOR OLDER AMERICANS, SUBCHAPTER III—GRANTS FOR STATE AND COMMUNITY PROGRAMS ON AGING, Section 3030a(d)—Option to Obtain Commodities From Secretary of Agriculture

- (4) Each State agency shall promptly and equitably disburse amounts received under this subsection to recipients of grants and contracts. Such disbursements shall only be used by such recipients of grants or contracts to purchase United States agricultural commodities and other foods for their nutrition projects.

**Condition**

Aging lacks adequate procedures to provide reasonable assurance that cash received in lieu of commodities is distributed equitably. Specifically, although its policy states that NSIP funding to subrecipients is based on the number of meals they served in the prior year in proportion to the number of meals served statewide, during fiscal year 2007–08 Aging lacked procedures to ensure staff follow the policy. Further the draft procedures Aging gave us in August 2008 do not require supervisory review and approval of the analyst's calculation of the allocation. The lack of adequate procedures hinders Aging's ability to prevent errors or to detect early any errors that may exist in the allocation.

Aging's draft procedures direct analysts to use meal counts in the most recently documented year. According to Aging, in practice, these are the meal counts most recently certified as accurate by the United States Department of Health and Human Services' Administration on Aging and reported for the prior-prior state fiscal year for the next year's allocation. For example, meal counts certified as accurate for fiscal year 2006–07 are used to calculate the fiscal year 2009–10 allocation. By contrast, Aging's policy issued to its subrecipients specifies the use of meal counts from the prior year. This is inconsistent. For example, in reviewing its calculation of the allocation for fiscal year 2007–08, we found that the analyst used meal counts from fiscal year 2004–05 instead of those from the prior year, fiscal year 2006–07, in accordance with its policy. According to the manager of Aging's Fiscal and Contracts Team, the fiscal year 2004–05 meal counts were the most recently finalized meal counts available at the time the fiscal year 2007–08 allocation was prepared. Our analysis found that Aging's departure from the policy issued to its subrecipients results in discrepancies in the amounts they would have received. Specifically, we found that the total NSIP allocation for one of the three subrecipients we tested was 10 percent lower than the allocation would have been if Aging had used total meal counts from fiscal year 2006–07, while the allocation for another subrecipient was almost 14 percent higher.

**Questioned Costs**

Not applicable.

**Recommendations**

Aging should establish procedures for handling cash received in lieu of commodities for the NSIP to ensure that it distributes the funds equitably. Specifically, these procedures should incorporate a supervisory review and approval process.

Aging should revise the policy issued to its subrecipients to reflect the actual methodology it uses to determine NSIP funding allocations.

**Department's View and Corrective Action Plan**

Aging stated that its procedures have been updated to be consistent with its current methodology and to avoid potential confusion and error. Aging assures the Bureau of State Audits that the procedures include the requirement for two levels of supervisory review and approval, including double-checking all calculations and supporting documentation. Aging stated that it will also issue a policy memo update to its subrecipients to remind them of its policy and procedures.

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